

**COUNCIL ACTION FORM**

**SUBJECT: AUTHORIZE STAFF TO CLOSE ON LOAN AGREEMENT WITH THE IOWA FINANCE AUTHORITY TO FUND CONSTRUCTION OF THE WATER POLLUTION CONTROL PLANT DISINFECTION PROJECT**

**BACKGROUND:**

On September 11, 2012, Council awarded a contract for construction of a new ultraviolet light (UV) disinfection system for the Water Pollution Control Plant. Construction of the system is required under the terms of the discharge permit for the facility. Staff has explored the most economical financing options and is recommending that the City use the Clean Water State Revolving Fund (SRF). As of October 1, 2012, the current terms for the SRF loan program include a 0.5% loan origination fee and an interest rate of 1.75% over a 20-year term. Repayment of the loan will come from the Sewer Fund and has been accounted for in the current rates and fund balance projections. The SRF loan program will provide disbursements as funds are requested, unlike bonds where the entire proceeds are provided at closing.

The first step to be eligible for the CWSRF loan is to have the project approved by the State and placed on the Intended Use Plan (IUP). The project has been included in the IUP since the first quarter of 2011 and is ready for financing. The WPC Plant Disinfection Project is currently shown in the IUP with an anticipated cost of \$3,120,900. Based on current contracts awarded by Council, the projected cost is as follows:

Engineering Cost	\$ 333,335
Construction Cost & Equipment	2,021,780
<u>Construction Contingency</u>	<u>210,000</u>
<b>Total Estimated Project Cost</b>	<b>\$ 2,565,115</b>

A public hearing was held on August 28, 2012. Staff delayed closing on the loan until after October 1 in order to benefit from a lower interest rate. No construction costs were incurred.

**ALTERNATIVES:**

1. Authorize staff to close on the loan agreement with the Iowa Finance Authority for construction of the Water Pollution Control Plant Ultraviolet Disinfection System in an estimated amount of \$2,565,115.
2. Do not authorize staff to close on the loan agreement and provide staff with direction on the desired financing method for the project.

**MANAGER'S RECOMMENDED ACTION:**

Issuance of these bonds is necessary in order to complete the financing for the new Water Pollution Control Plant Ultraviolet Disinfection System required by the facility's discharge permit. Moving forward using a loan from the Clean Water State Revolving Fund is the most economical way to finance the project for our utility customers.

Therefore, it is the recommendation of the City Manager that the City Council adopt Alternative No. 1, thereby authorizing staff to close on the loan agreement with the Iowa Finance Authority for construction of the Water Pollution Control Plant Ultraviolet Disinfection System in an estimated amount of \$2,565,115.